Saskatchewan Government Insurance

Superannuation Plan

2005

Annual Report

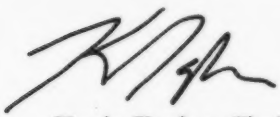
MESSAGE FROM THE CHAIR

I am pleased to report that Saskatchewan Government Insurance Superannuation Plan (the Plan) had another successful year with a solid investment return of 10.6%. Unfortunately, long-term bond rates remained very low, resulting in offsetting increases to plan liabilities with the Plan ending in a breakeven position.

Plan members should look at these financial statements as information created for financial reporting purposes only. The Superannuation Committee (the Committee) uses two different valuations to evaluate the financial soundness of the Plan: a solvency valuation and, most importantly, a going concern valuation. These two valuations together provide a picture that the Plan is on target. Careful monitoring of the Plan's financial position will be a priority of the Committee into the future.

Given the relative uncertainty of markets these past few years, members of pension plans may be concerned with how their pension plans are being operated. Increased importance is being placed on demonstrating proper governance practices for pension plans. The Committee is continuing to work on improvements to communications regarding the Plan's structure, governance and financial performance. This annual report contains information on these topics to assist members in understanding their pension plan.

I look forward to serving the Plan in 2006.



Kevin Taylor, Chair
SGI Superannuation Plan Committee

March 6, 2006

PLAN OVERVIEW

The Saskatchewan Government Insurance (SGI) Superannuation Plan (the Plan) is a pension plan registered under *The Saskatchewan Government Insurance Act*, 1980 (the Act), which gives SGI the authority to organize and support the defined benefit pension plan, subject to *The Pension Benefits Act*. The Plan is maintained by SGI for employees who were hired prior to January 1, 1980 and did not elect to transfer to the defined contribution plan.

The Act guarantees members' basic pension regardless of the financial status of the Plan. The Plan is financially sound and holds a well-diversified portfolio of debt and equity investments. Net assets available for benefits totaled $45.3 million at December 31, 2005. Diversification of the Plan's assets helps to maximize the return on Plan assets and to minimize the impact of volatility in specific segments within the capital markets.

PLAN GOVERNANCE

Overall governance and administration of the Plan resides with SGI. The Superannuation Committee, (the Committee) which makes recommendations to the SGI Board of Directors, acts on and decides all matters pertaining to administration of the Plan. SGI board members are appointed by Order in Council pursuant to *The Saskatchewan Government Insurance Act*, 1980.

The role of the Board and the Committee are set out in the plan text.

The Board is responsible for:

- approving amendments to the Plan, as referred by the Committee;
- appointing a member to the Committee;
- dealing with such other matters as may be referred to it by the Committee; and
- in consultation with the Committee, interpreting the intent of the Plan in circumstances where its terms and conditions may be the subject of such interpretation.

The Committee is responsible for:

- standing in a fiduciary relationship to members, inactive members, pensioners and any other individuals entitled to benefits pursuant to the Plan;
- maintaining such records as are necessary to accurately calculate the benefits due to members and inactive members in accordance with the terms of the Plan;
- declaring interest rates, upon recommendation of the Plan's actuary;
- receiving all contributions and authorizing all benefit payments in accordance with the terms of the Plan;
- providing an annual statement to all members and inactive members and keeping adequate accounts of the pension fund;
- approving reciprocal agreements, amendments and conducting related correspondence;
- safekeeping the Plan and conducting correspondence with respect to the Plan as required;
- approving the investment policy for the Plan's assets;
- ensuring the Plan is administered in accordance with its terms as registered;
- approving or directing that pensions be paid directly from the pension fund;
- filing annual information returns with the Superintendent of Pensions and the Canada Revenue Agency; and
- conducting correspondence with respect to the Plan as may be required.

Superannuation Committee Composition

Kevin Taylor, Chair
Manager, Benefit Administration, SGI

Ken Klein
Executive Director, Capital Pension and Benefits
CIC representative

Jim Crighton
Member representative

Lydia Kapell, Supervisor Benefit Administration, acts as Secretary for the Superannuation Committee.

Superannuation Committee members serve in a voluntary capacity and do not receive compensation for their services from the Plan. The Plan covers any out-of-pocket expenses incurred by the Committee in the course of serving the Plan.

Plan Administration

Personnel at SGI administer the Plan on a day-to-day basis. Primary responsibility lies with the Manager, Benefit Administration, who also acts as the Chair of the Committee. The Supervisor, Benefit Administration, acts as the Secretary for the Committee. Plan administrators are responsible for executing decisions made by the Committee and/or the Board of Directors within approved policies and directives. Administrators act as the primary contact for members and are responsible for reporting to the Committee on all aspects of Plan performance.

Investment Manager

The investment manager for the Plan is Greystone Managed Investments Inc. The investment manager implements an investment strategy based on the Plan's investment policy and reports their actual results compared to a benchmark to the Committee on a quarterly basis.

Investment Advisor

The Committee has retained James P. Marshall Inc. to provide recommendations on the Plan's investment policy and objectives; to provide an analytical review of the investment portfolio; an independent third party review of the investment managers' performance relative to peers and the Plan's benchmark portfolio. The investment advisor monitors risk characteristics and comments on the performance of the investments of the Plan and advises the Committee on overall investment policy and management that would best achieve the Plan's objectives.

Custodian

The Plan's custodian, RBC Global Services, holds custody of the assets of the Plan and is responsible for executing investment transactions and collecting income. The custodian ensures that investment income is collected and provides record-keeping services for the Plan.

Actuary

Aon Consulting Inc. prepares accounting and funding valuations at least every three years. In the intervening years extrapolations are prepared for accounting purposes, and as required by Management for funding purposes. December 31, 2002 is the most recent accounting and funding valuations with the next valuations to take place in 2006 for the year ended December 31, 2005. An extrapolation of the December 31, 2002 accounting valuation has been performed for purposes of the December 31, 2005 audited financial statements. The actuary also provides the Committee with information regarding administration of the Plan, and makes recommendations related to policies on benefits and funding.

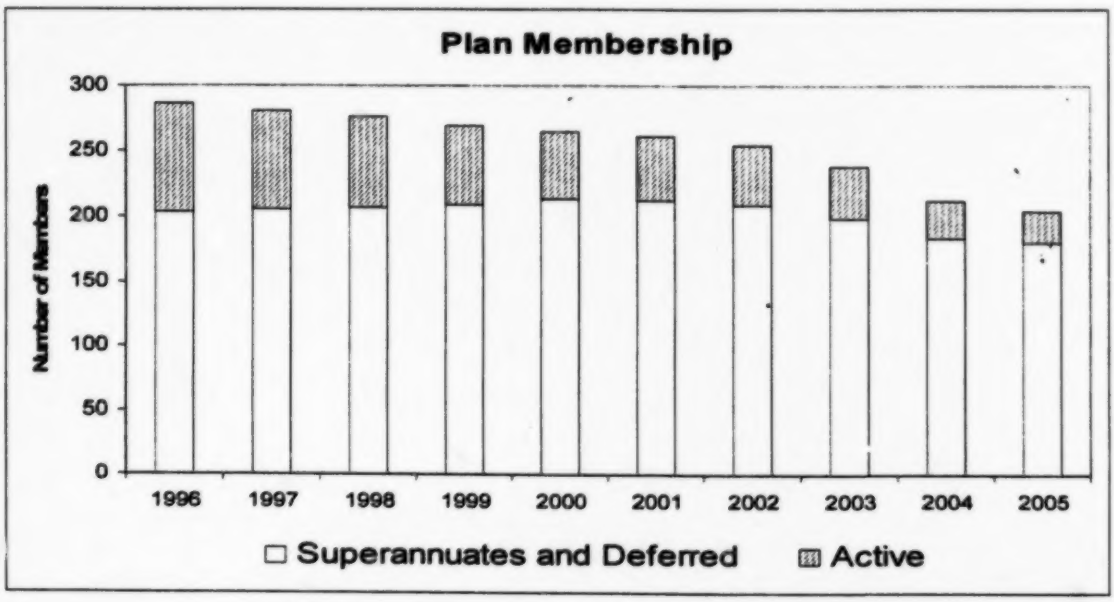
Auditor

The Plan's external auditor, KPMG LLP, is contracted to perform an annual financial statement audit of the Plan. Management of SGI prepares the financial statements for review and approval by the Committee. The audit focuses on the existence, completeness and valuation of the Plan assets; the measurement of the Plan's income and expenses; and the fairness of presentation in accordance with Canadian generally accepted accounting principles.

KPMG LLP has conducted an independent audit of the Plan's year-end financial statements. Their professional opinion on the Plan's financial statements is found in their auditors' report included in this annual report.

PLAN DEMOGRAPHICS

The Plan has been closed to new members since January 1, 1980. The number of active members continues to decline as members reach retirement age. Approximately 88% of the Plan membership at December 31, 2005 are receiving pension benefits. In 2005 there were 178 (2004 – 182) people receiving a pension, 2 (2004 – 2) people eligible for a deferred pension and 24 (2004 – 28) active members.



INVESTMENT HIGHLIGHTS

Investment Strategy

The investment objective of the Plan is to prudently manage the Plan's assets to assist in avoiding unfunded liabilities and excessive volatility in annual rates of return. Considerations include growth in liabilities from active members combined with providing pension supplements to offset inflation. Based on these factors, the Plan can assume a low to moderate level of investment risk to achieve income and growth objectives. Accordingly, a diversified long-term asset mix strategy with a bias to fixed income investments is warranted.

Investment Policy

The Plan has a Statement of Investment Policies and Objectives (the Policy) approved by the Committee. The Policy reflects the philosophy of diversification and protection of capital and provides guidance to the investment manager. The purpose of the Policy is to outline investment principles, guidelines and monitoring procedures that are appropriate for Plan governance. The Policy conforms to applicable legislation and the specific characteristics of the Plan.

The Policy has set a target mix of 40% equity and 60% fixed income (2004 – 40% equity and 60% fixed income). Foreign equity content target is set at 24% (2004 – 24%). The actual mix at any one time, however, may differ from this target within ranges specified in the Policy due to fluctuations in the market.

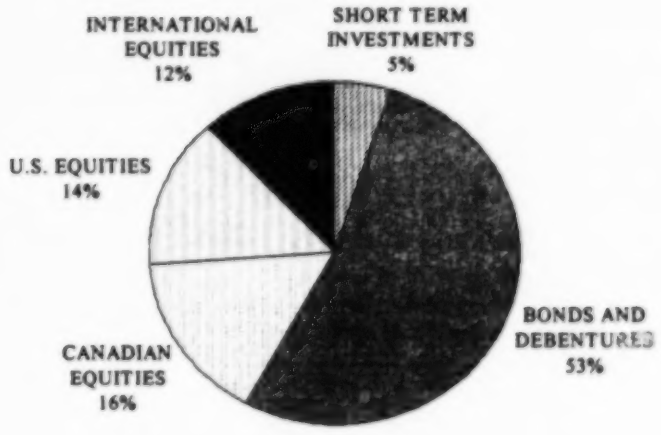
Monitoring Plan performance is a key activity in supporting the investment objectives. The Policy outlines a benchmark portfolio comprised of various asset classes. The Plan's primary objective is to achieve a rate of return superior to the rate of return earned on the following benchmark portfolio asset mix:

Benchmark Portfolio Composition

ASSET CLASS	MARKET INDEX	TARGET WEIGHT	TARGET RANGE
Short-term investments	91 day Treasury Bills	5%	3-20%
Bonds	Scotia Capital Universe Bond Index	55%	40-70%
Canadian equities	Standard & Poor's/TSX Composite CPMS Cap 10 Index	16%	10-30%
U.S. equities	Standard & Poor's 500 Index (Cdn. $)	12%	Total foreign 18-30%
Non-North American equities	Morgan Stanley Capital (MSCI) EAFE Index (Cdn. $)	12%	
Total Fund		**100%**	

A secondary objective is to exceed the benchmark index in each of the asset classes in which the investment manager invests. The actual allocation of assets in 2005 conformed to the guidelines of the Policy as shown in the following graph:

ASSET ALLOCATION 2005 (at market value)

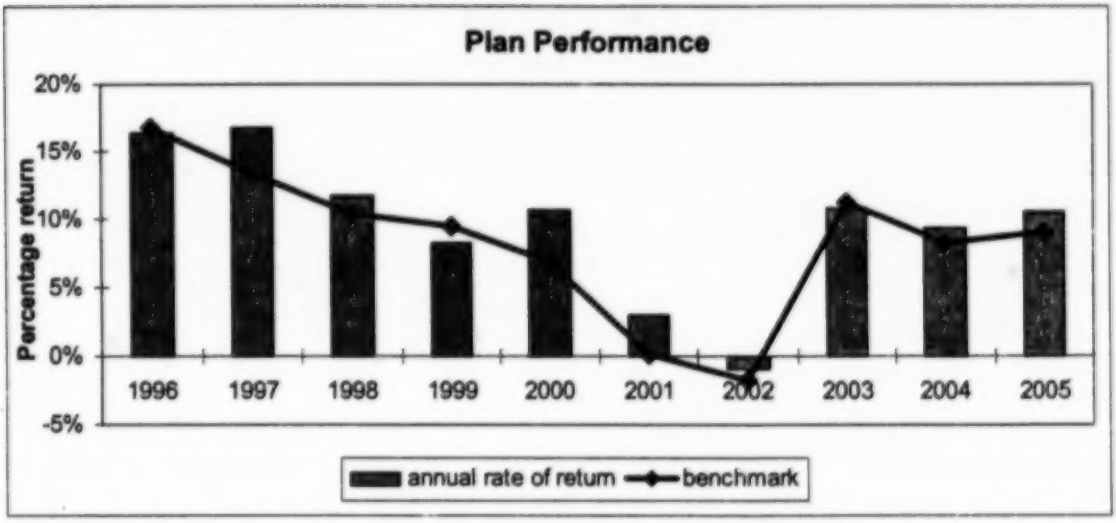


Of the total equity holdings, the following chart provides details of specific equities held in the Plan with a market value exceeding $350,000 at December 31, 2005:

Security Name	Shares #	Market Value $
Royal Bank of Canada	4,900	444,969
Bank of Nova Scotia	9,490	437,869
Manulife Financial Corp.	6,080	415,082
Encana Corporation	6,870	361,087

Investment Performance

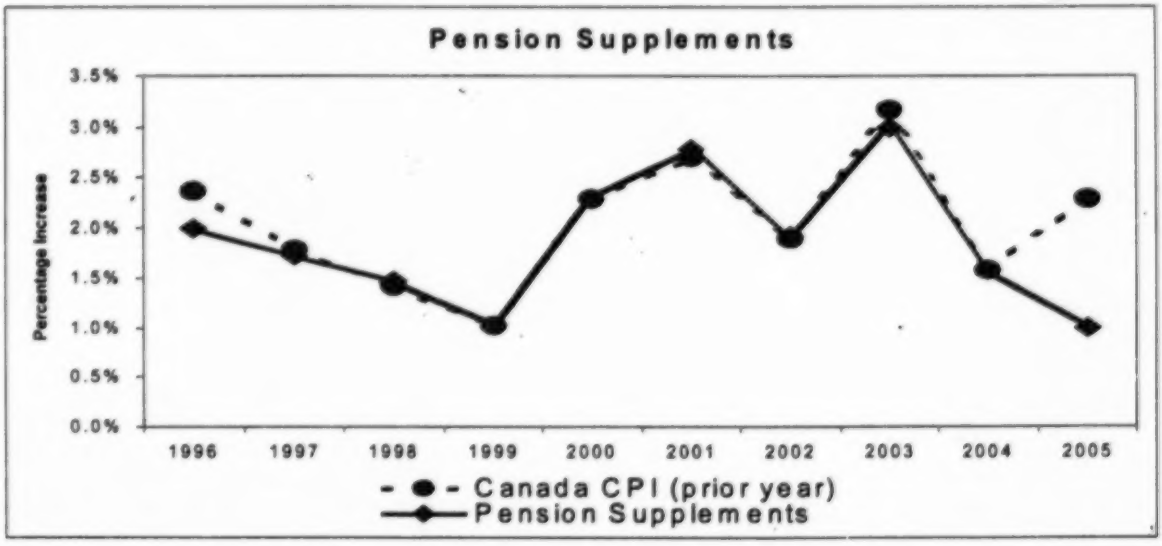
The Plan's performance is measured by comparing its return to that of the benchmark portfolio. The Plan's return in 2005 was 10.6% (2004 – 9.3%), slightly higher than the benchmark rate of return of 9.1% (2004 – 8.2%). The following graph illustrates how annual returns may fluctuate from year to year.



A common measurement statistic used by the pension fund industry is to calculate a pension fund's performance on a four-year cycle. This longer-term measure has greater relevance and lower volatility than a one-year measurement. Over the period 2002 to 2005, the Plan averaged an annual return of 7.3%, 0.7% higher than the benchmark portfolio averaged annual return of 6.6%.

Pension Supplements

Although the Plan's pension benefits are not formally indexed for inflation, the Plan has consistently approved pension supplements, which are annual increases subject to limitations imposed by the Income Tax Act (Canada). The Committee reviews the Plan's funded status annually to assess the viability of pension supplements. The 2005 supplement was 1.0% (2004 – 1.58%). The following graph highlights pension supplements for the last 10 years in comparison to the consumer's price index (CPI).



Financial Highlights

Net Assets Available for Benefits

The Plan's net assets available for benefits totaled $45,280,183 (2004 – $44,376,814), a net increase of $903,369 from the previous year. The increase is attributable to the following:

CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS	2005	2004
Income		
Investment income (net of expenses)	$ 3,547,452	$ 3,845,229
Change in market values of investments	929,397	162,642
Contributions – employee	68,876	76,246
	4,545,725	4,084,117
Expenditures		
Benefits and termination refunds	3,577,196	10,216,096
Administrative expenses	65,160	149,024
	3,642,356	10,365,120
Increase (decrease) in net assets available for benefits	$ 903,369	$ (6,281,003)

Investment income is $3,547,452, a decrease of $297,777 from 2004. The decrease in investment income is attributed to lower gains obtained on the sale of investments coupled with lower interest and dividend income. The market value of investments increased by $929,397 in 2005 compared to an increase of $162,642 in 2004.

The decrease in expenditures of $6,722,764 is due to a major reduction in the number of members leaving the Plan, resulting in termination refunds of $625,928 in 2005 (2004 – $7,153,287), a decrease of $6,527,359 compared to 2004. In 2004, refunds were exceptionally high because the Plan had become aware that the transfer value upon termination that was provided to retirees during the period Jan. 1, 1993 to Sept. 4, 2003 was inconsistent with the Plan text. Consequently the Plan text was amended in 2004 to allow affected pensioners an opportunity to opt out of the Plan and receive a revised termination transfer value, with the requirement that the option be exercised by June 30, 2004. Pension benefits expensed during 2005 are $2,951,268, quite comparable to $3,062,809 in 2004. Direct and investment expenses primarily represent fees paid to the investment manager, the custodian and the actuary for managing and recording the Plan's investments and monitoring the financial status of the Plan. These expenses have decreased in the current year by $82,245 as a result of lower actuarial fees. Actuarial fees were higher in 2004 as a result of work required regarding the termination refunds.

Accrued Pension Benefits

The obligation of a defined benefit pension plan is to fulfill its pension promise of providing benefit payments to all members. To estimate the obligation of a defined benefit pension plan an actuarial valuation is performed on a regular basis.

The actuarial valuation involves estimating the total amount required today together with future investment returns that will be sufficient to meet all required benefit payments. This total amount required today is known as a plan's actuarial liability or the present value of accrued pension benefits. It is compared to the market value of a plan's assets to determine the level of surplus assets or the level of deficit (where the actuarial liability exceeds the assets).

An actuarial valuation is conducted every three years to ensure a plan's assets and contribution levels are adequate to provide long-term benefits. This is commonly referred to as a "funding valuation." As SGI is responsible for providing retirement benefits, the funding valuation is used to determine the amount of contributions that SGI is required to deposit into the Plan each year. Based on the last funding valuation at December 31, 2002, SGI cannot legally contribute to the Plan due to restrictions in the Income Tax Act, which limits employer contributions based on a maximum allowable surplus level as disclosed in a funding valuation. As of the date of this report, the funding valuation at December 31, 2005 is not sufficiently completed to allow SGI to determine if contributions will be necessary in future years. If contributions are required, SGI will commence contributions as advised by the actuary to the Plan.

In addition to the funding valuation, a separate valuation is prepared to determine information for a plan's financial statements. This is commonly known as an "accounting valuation." It is important to note that the actuarial assumptions used in the funding valuation may be different than those used in the accounting valuation. In particular the accounting valuation for this Plan includes a provision for uncommitted future ad hoc benefit increases, whereas the funding valuation only considers ad hoc benefit increases that have been granted to date.

Actuarial Methodology and Assumptions

In completing an actuarial valuation, certain future events must be considered. A number of assumptions are made and the future events are deemed to occur according to these assumptions. For the purpose of this annual report an accounting actuarial valuation has been prepared.

To value the liabilities for the accounting valuation, the actuary examines the Plan's demographics such as age, length of service and salary ranges of the membership. Information is processed on active members, deferred members and pensioners and surviving spouses who receive benefits from the Plan. In addition, mortality, disability and termination of employment data are reviewed and factored into the valuation assumptions. A summary of some of the key assumptions used in the accounting valuation is as follows:

ACCOUNTING VALUATION ECONOMIC ASSUMPTIONS	2005	2004
Discount rate – beginning of period	5.60%	6.10%
Discount rate – end of period	5.00%	5.60%
Expected rate of return on plan assets	6.75%	6.75%
Inflation rate	2.50%	3.00%
Expected salary increase	3.50%	4.00%
Post-retirement index	50% of CPI	50% of CPI

While the actuarial assumptions used to estimate the Plan's liabilities are a best estimate of future events, it is inevitable that the Plan's future experience will differ from the estimates. Any differences between the actuarial assumptions and future experience will emerge as gains or losses and will affect the surplus or deficit position of the Plan.

Plan Surplus/Deficit

Based on the accounting valuation performed as at December 31, 2002 and extrapolated to December 31, 2005, the Plan's financial position, for accounting purposes only, indicates a plan surplus in 2005 as follows:

		2005		2004
Actuarial value of net assets available for benefits	**$**	**45,280,183**	$	44,376,814
Present value of accrued pension benefits		**45,180,615**		44,720,935
Plan Surplus/(Deficit)	**$**	**99,568**	$	(344,121)

ACTUARIAL OPINION

With respect to the Contributory Superannuation Plan for the Employees of Saskatchewan Government Insurance, we have prepared an actuarial extrapolation as at December 31, 2005, for the purpose of determining the necessary actuarial information for financial statement reporting in accordance with Section 4100 of the CICA Handbook. In my opinion, for the purpose of this actuarial extrapolation:

- the data on which this extrapolation is based are sufficient and reliable;
- where applicable, the assumptions have been adopted as management's best estimates for accounting purposes and consequently I have not rendered a specific opinion on them; however, in my opinion, the assumptions are in aggregate not unreasonable, when considering the circumstances of the plan and the purpose of the extrapolation;
- the actuarial cost methods, asset valuation methods and extrapolation methods employed are appropriate; and
- the extrapolation conforms with the requirements of Section 4100 of the Canadian Institute of Chartered Accountants.

Nonetheless, emerging experience differing from the assumptions will result in gains or losses which will be revealed in subsequent valuations.

This report has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.

David R. Larsen
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

March 6, 2006

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of net assets available for benefits, accrued pension benefits and surplus/(deficit) of the Saskatchewan Government Insurance Superannuation Plan as at December 31, 2005, and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2005, the changes in net assets available for benefits and accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada

March 6, 2006

SASKATCHEWAN GOVERNMENT INSURANCE

SUPERANNUATION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, ACCRUED PENSION BENEFITS AND SURPLUS/(DEFICIT)

As at December 31

	2005	2004
ASSETS		
Investments (Note 3)		
Bonds and debentures	$ 24,264,743	$ 24,391,889
Money market instruments	2,278,481	1,311,034
Pooled equity fund	5,491,253	4,966,947
Shares	13,355,653	13,858,535
	45,390,130	44,528,405
Accrued interest and dividends	203,628	188,235
Cash	230,274	2,514
TOTAL ASSETS	**45,824,032**	44,719,154
LIABILITIES		
Accounts payable	543,849	342,340
NET ASSETS AVAILABLE FOR BENEFITS	**45,280,183**	44,376,814
ACCRUED PENSION BENEFITS	**45,180,615**	44,720,935
SURPLUS/(DEFICIT)	**$ 99,568**	$ (344,121)

Approved by the Superannuation Committee:

K. Taylor, Chair

I. Crighton, Member Representative

K. Klein, CIC Representative

(See accompanying notes)

SASKATCHEWAN GOVERNMENT INSURANCE

SUPERANNUATION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ended December 31

	2005	2004
INCREASE IN ASSETS		
Investment income		
Interest	$ 1,145,270	$ 1,229,160
Dividends	328,618	345,611
Net gain on sale of investments	2,171,724	2,366,999
Increase in market value of investments	929,397	162,642
	4,575,009	4,104,412
Employee contributions (Note 1(b))	68,876	76,246
TOTAL INCREASE IN ASSETS	**4,643,885**	4,180,658
DECREASE IN ASSETS		
Pension benefits	2,951,268	3,062,809
Termination refunds	625,928	7,153,287
Direct expenses (Note 6)	65,160	149,024
Investment expenses	98,160	96,541
TOTAL DECREASE IN ASSETS	**3,740,516**	10,461,661
INCREASE (DECREASE) IN NET ASSETS	**903,369**	(6,281,003)
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	44,376,814	50,657,817
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	**$ 45,280,183**	$ 44,376,814

(See accompanying notes)

SASKATCHEWAN GOVERNMENT INSURANCE

SUPERANNUATION PLAN

STATEMENT OF CHANGES IN ACCRUED PENSION BENEFITS

Year Ended December 31

	2005	2004
ACCRUED PENSION BENEFITS, BEGINNING OF YEAR	**$ 44,720,935**	$ 50,426,785
INCREASE IN ACCRUED PENSION BENEFITS		
Interest on accrued benefits	2,416,000	2,738,000
Changes in actuarial assumptions	1,369,000	2,724,000
Pension benefits accrued	251,876	247,246
	4,036,876	5,709,246
DECREASE IN ACCRUED PENSION BENEFITS		
Pension benefits	2,951,268	3,062,809
Termination refunds	625,928	7,153,287
Experience gain - Plan amendment	-	1,199,000
	3,577,196	11,415,096
ACCRUED PENSION BENEFITS, END OF YEAR	**$ 45,180,615**	$ 44,720,935

(See accompanying notes)

SASKATCHEWAN GOVERNMENT INSURANCE

SUPERANNUATION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005

1. DESCRIPTION OF PLAN

The following description of the Saskatchewan Government Insurance Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to the Plan Text.

(a) General

The Plan is a contributory defined benefit pension plan covering some employees of Saskatchewan Government Insurance (SGI). This Plan is operated pursuant to Section 17 of *The Saskatchewan Government Insurance Act, 1980*. Since 1980, new employees hired are required to join the Capital Pension Plan, a defined contribution pension plan. The Superannuation Committee consists of 3 members that act on and decide all matters pertaining to the administration of the Plan. The Committee also makes recommendations to SGI's Board of Directors as overall governance and administration of the Plan resides with SGI.

(b) Funding Policy

(i) SGI and plan members make contributions to the Plan. SGI contributes such amounts as recommended by the actuary in order that the benefits under the Plan may be properly funded. Employees contribute 6.5% of earnings, less a portion of their contributions to the Canada Pension Plan.

(ii) SGI has an employer-funding holiday based on regulatory restrictions to Dec. 31, 2005. A funding valuation as at Dec. 31, 2005 is being prepared but is not available to determine if this funding holiday will continue past Dec. 31, 2005.

(c) Service Pensions

The Plan provides for a full pension at retirement based on the number of years of service, multiplied by the average of the highest five years earnings. Plan members who are less than age 65 and have completed 30 years of service may select early retirement with no reduction to pension. Plan members who are less than age 65 and have less than 30 years of service may select early retirement with a reduced pension.

(d) Disability Pensions

The Plan provides for early retirement when a plan member is permanently incapable, due to medical reasons, of performing their regular job duties.

(e) Survivors' Pension

The type of pension selected by the plan member will determine the amount, if any, to be paid as pension to the survivor.

(f) Death Refunds

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to their full extent and plan conditions permit.

In a similar manner, a death refund is payable to the spouse, if any, otherwise to the estate or designated beneficiary of a member where the member is not a pensioner.

(g) Termination Refunds

When a member ceases to be employed by SGI, subject to.lock-in provisions, termination refunds with interest are payable.

(h) Income Taxes

The Plan is a registered pension plan as defined in the *Income Tax Act* and is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Plan are in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

(a) Basis of Presentation

These financial statements are prepared on a going concern basis and present the financial position of the Plan as a separate entity independent of SGI and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period, but they do not portray the funding requirements of the Plan or the benefit security of individual plan members.

(b) Investments

Bonds and debentures, pooled equity fund, money market instruments and shares are recorded at market value, based on year-end market quotations. Transactions are recorded as of the trade date.

(c) Foreign Currencies

Foreign currency transactions are translated into Canadian dollars using exchange rates in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies are adjusted to reflect exchange rates at the balance sheet date. Exchange gains or losses arising on the translation of monetary assets and liabilities or sale of investments are included in investment income.

(d) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined. The most significant estimation process is related to the actuarial determination of the accrued pension benefits (note 5).

3. INVESTMENTS

The Plan's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of investment assets in shares, corporate bonds and debentures. Details of significant terms and conditions, exposures to interest rate and credit risks of investments are as follows:

(a) Bonds and debentures

Bonds and debentures invested by the Plan have a minimum of BBB or equivalent as rated by at least two of three recognized bond-rating agencies operating in Canada, at the time of purchase.

The market value and average effective interest rates are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Interest is generally receivable on a semi-annual basis.

Term to Maturity (years)	2005 Market Value	2005 Average Effective Rates	2004 Market Value	2004 Average Effective Rates
Government of Canada:				
After one through five	$ 7,877,158	3.8%	$ 7,237,227	3.1%
After five	4,954,039	4.0%	6,386,175	4.4%
Province of Saskatchewan:				
After five	432,788	4.5%	321,228	5.2%
Canadian provincial & municipal:				
After one through five	844,337	4.1%	773,926	3.7%
After five	5,467,930	4.4%	4,562,398	4.7%
Canadian corporate:				
After one through five	2,062,133	4.2%	1,880,178	3.7%
After five	2,626,358	4.6%	3,230,757	4.9%
Total bonds & debentures	$ 24,264,743		$ 24,391,889	

For bonds and debentures, the fair values are considered to approximate quoted market values on recognized stock exchanges, based on the latest bid prices.

(b) Money market instruments

Money market instruments which comprise treasury bills and commercial paper have average effective interest rates of 3.3% (2004 – 2.6%) and an average remaining term to maturity of 61 days (2004 – 93 days). The Plan's investment policy states that investments must meet minimum investment standards of R-1 or equivalent as rated by at least two of three recognized bond rating agencies operating in Canada, at the time of purchase.

Carrying amounts for money market instruments approximate fair value due to the immediate or short-term nature of these financial instruments.

(c) Pooléd equity fund

The Plan owns units in an international pooled equity fund which has no fixed interest rate and its return is based on the success of the fund manager.

The fair value of the pooled equity fund is considered to approximate quoted market values of the underlying investments, which is normally the latest bid price.

(d) Shares

Shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis. The average effective dividend rate is 1.5% (2004 – 1.4%).

Included in shares are shares denominated in United States dollars with a carrying value of $6,129,625 (2004 – $6,040,125).

The fair value of shares are considered to approximate quoted market values on recognized stock exchanges, based on the latest bid prices.

4. INVESTMENT PERFORMANCE

The Plan's long-term investment performance objective is to achieve continued growth while avoiding unfunded liabilities and excessive volatility in annual rates of return. Continued growth remains a consideration in funding the liabilities associated with the active members as well as to provide ad hoc benefit increases to offset the impact of inflation. Based on these factors, the Plan can assume a low to moderate level of investment risk to achieve its investment objectives. Accordingly, a diversified long-term asset mix strategy with a bias to fixed income is warranted.

The investment manager makes day-to-day decisions on whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Superannuation Committee. It is these long-term investment performance objectives that are used to assess the performance of the investment manager.

The Superannuation Committee reviews the investment performance of the Plan regarding the performance of the benchmark portfolio over rolling four-year periods.

The following is a summary of the Plan's investment performance:

	Annual Return		Rolling Four-Year Average Annual Return	
	2005	2004	2005	2004
Plan's actual rate of return	10.6%	9.3%	7.3%	5.4%
Target rate of return	9.1%	8.2%	6.6%	4.3%

5. ACCRUED PENSION BENEFITS

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and management's best estimate assumptions.

The actuarial valuation performed as at December 31, 2002 by Aon Consulting and extrapolated to December 31, 2005 includes a provision for uncommitted ad hoc benefit increases.

Measurement of the present value of accrued pension benefits is uncertain, as estimates must be made of future interest rates, inflation rates and post-retirement index rates. For purposes of this actuarial valuation long-term assumptions used include:

ECONOMIC ASSUMPTIONS:	2005	2004
Discount rate – beginning of period	5.60%	6.10%
Discount rate – end of period	5.00%	5.60%
Expected return on plan assets	6.75%	6.75%
Inflation rate	2.50%	3.00%
Expected salary increase	3.50%	4.00%
Post-retirement index	50% of CPI	50% of CPI
Remaining service life of active members in years (EARSL)	5	5

The following table shows the change in the accrued pension benefits if the assumptions were modified:

Assumption	Change Made	Change in Accrued Pension Benefits ($)	Change in Accrued Pension Benefits (%)
1. Discount rate	Plus 1%	($4,660,000)	(8.7%)
	Minus 1%	$5,916,000	11.0%
2. Inflation rate	Plus 1%	$2,907,000	5.4%
	Minus 1%	($2,548,000)	(4.8%)
3 Post-retirement indexing	Plus 10% of CPI	$1,499,000	2.8%
	Minus 10% of CPI	($1,418,000)	(2.6%)

The fair value of the accrued pension benefits has not been determined, as it is impracticable to compute it with sufficient reliability.

6. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

The costs to administer the Plan are borne by SGI, the Plan administrator, and are not reflected in these financial statements. Direct out of pocket expenses of the Plan, including audit, actuarial and consulting fees are paid by the Plan.

Other related party transactions are described separately in the notes.

7. FAIR VALUES

The fair value of financial assets and liabilities, other than investments (note 3) and accrued pension benefits (note 5) approximate carrying value due to their immediate or short-term nature.